

# EXHIBIT Q

H I G H L Y C O N F I D E N T I A L

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
11-CV-03605 (JSR) (HBP)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

-----x

IRVING H. PICARD, Trustee for  
the Liquidation of Bernard L.  
Madoff Investment Securities LLC,

Videotaped  
Deposition of:

Plaintiff,

STEVEN KENNY

v.

SAUL B. KATZ, et al.,

Defendants.

-----x

TRANSCRIPT of testimony as taken by and before  
MONIQUE VOUTHOURIS, Certified Court Reporter, RPR,  
CRR and Notary Public of the States of New York and  
New Jersey, at the offices of Baker & Hostetler, 45  
Rockefeller Plaza, New York, New York, on Friday,  
December 9, 2011, commencing at 9:27 a.m.

**REDACTED**

6 Q. Okay. And under these credit  
7 agreements, were there any requirements with regard  
8 to monthly statements from Madoff?

9 A. Yes, in all instances.

10 Q. And what did the agreements require  
11 in terms of production of the monthly statements?  
12 In other words, who was receiving them under the  
13 agreements?

14 A. I would need to look at the agreement  
15 to answer specifically if -- if there were multiple  
16 parties receiving them, but the bank was entitled to  
17 receive them monthly, and did receive them monthly.

18 Q. And from whom did the bank receive  
19 them? Do you know?

20 A. They came directly from -- from  
21 Madoff.

**REDACTED**

1 Q. Did you ever do any due diligence on  
2 Madoff's investment strategy?

3 A. We did due diligence on each loan at  
4 the -- at the outset of origination of each loan.

5 Q. Did you individually ever do any due  
6 diligence on the Madoff investment strategy?

7 MR. FAHLBUSCH: Objection.

8 A. I -- I personally looked at  
9 historical performance of the stock market and  
10 historical performance of Madoff's investment  
11 strategy to determine the -- the overall risk  
12 profile of accepting that form of collateral as  
13 security for a loan.

14 Q. Okay. And based on that, did you  
15 have any conclusions about Madoff and his investment  
16 strategy?

17 A. We believed that it was the right  
18 risk profile and we proceeded with doing -- with  
19 originating those loans.

20 Q. What was the basis for your  
21 information about Madoff's performance?

22 A. We obtained the information from --  
23 from Sterling, but the lion's share of our focus was  
24 on, consistent with some of my comments earlier  
25 today, we were securing the loan by the equity

1 securities and other defined puts, calls, Treasuries  
2 that Madoff could -- could acquire in accordance  
3 with the loan documents, and with a margin level of  
4 50 percent and a watermark level of 65 percent, and  
5 then the overall reporting and covenant structure  
6 that we had in those -- that we -- that we  
7 ultimately agreed to in those loan agreements, we --  
8 the focus of our due diligence was around volatility  
9 in the -- in the overall stock market and whether or  
10 not a material shock that had -- that we could look  
11 at from a historical perspective would impair our  
12 ability to get repaid.

**REDACTED**